



Approved For Release 2005/11/23 : CIA-RDP81B00401R000400120007-1  
National  
Assessment  
Center

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# Iranian Financial Assets: Legal Battles Abroad

An Intelligence Memorandum

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Approved For Release 2005/11/23 : CIA-RDP81B00401R000400120007-1

December 1979

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Legal Battles Abroad**

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**Summary**

The US block on Iranian accounts in US banks at home and abroad has generated court actions by many parties in many countries. The Government of Iran as well as US banks has brought suit both in the United States and in West European financial centers in order to recover or protect their assets:

- The Iranian central bank, Bank Markazi, has brought suits against US bank subsidiaries overseas demanding that it be permitted to withdraw funds on deposit with these banks.
- A number of US banks have been granted court orders in Europe blocking Iranian assets that the banks want to seize to offset loans on which they claim Iran has defaulted.
- In one case, a US bank had included the US Government as a defendant along with Bank Markazi.

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The number of court actions brought to attach Iranian assets will likely grow, with US banks declaring more loans in default. If non-US banks would apply cross-default clauses, the attachments of Iranian assets would spread rapidly as the banks sought to offset their losses.

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None of the legal aspects of these suits are clear cut:

- Disposition of many suits will be decided on the basis of complex technical details of international banking practices.
- Precedent-setting legal rulings will be needed in those cases where the applicability of US banking laws to overseas branches will be tested for the first time.

While some lower court rulings may be decided in short order, appeal procedures could easily draw out cases for a year or more.

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If the US subsidiaries lose their suits, they might claim they are unable to adhere to a court order to release Iranian funds on the ground that the funds are held in deposit in New York. In this case, the US Treasury could refuse to allow the transfer of funds from US home-based offices to the foreign subsidiaries. Such a course of action could well be interpreted as a US refusal to recognize the legal authority of foreign governments.

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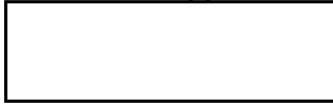
*This memorandum [redacted] Western Europe Branch, Industrial Nations Division, Office of Economic Research. It has been coordinated with the Office of Political Analysis and the National Intelligence Officer for Political Economy. Information available as of 26 December 1979 was used in its preparation. Questions and comments are welcome and may be addressed to the Chief, Industrial Nations Division, Office of Economic Research.*


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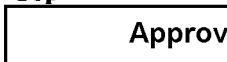


However the disputes are ultimately resolved, for the immediate future the US-blocked assets will be effectively frozen while suits are dragging through the courts. While other OPEC countries have responded by shifting some funds out of US banks, these shifts are likely to be minimal because they frequently entail financial losses and because alternatives are limited. Some funds would probably shift back to US banks in any case as foreign banks redeposit their excess cash. 

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